

EXHIBIT 1

INTRODUCTION

Respondent David P. Garofalo has been a member of the Huntington Beach City Council since 1994. In 2000, Respondent Garofalo assumed the Mayor's seat, and served as Mayor from January 2000 through December 2000. As a member of the City Council, Respondent Garofalo was required to file an assuming office and annual statements of economic interests ("SEI's") disclosing his economic interests.

On August 31, 2001, the Franchise Tax Board ("FTB") issued an audit report regarding Respondent Garofalo and his controlled committee, Committee to Elect Dave Garofalo (the "Committee") for the period January 1, 1995 through December 31, 1998.

A joint investigation by the Orange County District Attorney's Office and the Fair Political Practices Commission's Enforcement Division revealed that Respondent Garofalo failed to disclose sources of income on his statements of economic interests, participated in governmental decisions in which he had a financial interest and accepted gifts in excess of the gift limit in violation of the Political Reform Act (the "Act").¹ The FTB audit revealed that Respondent Garofalo and Respondent Committee failed to maintain campaign records, and did not disclose all expenditures and subvendor information as required by the Act.

For the purposes of this Stipulation, Respondents' violations of the Act are stated as follows:

- COUNT 1: Respondent Garofalo failed to disclose *The Local News* as a source of income on his assuming office statement of economic interests, filed on January 4, 1995, in violation of Section 87207, subdivision (b)(2).
- COUNT 2: Respondent Garofalo failed to disclose *The Local News* as a source of income on his 1995 annual statement of economic interests, filed on April 1, 1996, in violation of Section 87207, subdivision (b)(2).
- COUNT 3: Respondent Garofalo failed to disclose *The Local News* as a source of income on his 1996 annual statement of economic interests, filed on April 1, 1997, in violation of Section 87207, subdivision (b)(2).
- COUNT 4: Respondent Garofalo failed to disclose *The Local News* as a source of income on his 1997 annual statement of economic interests, filed on March 31, 1998, in violation of Section 87207, subdivision (b)(2).

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

- COUNT 5: Respondent Garofalo failed to disclose *The Local News* as a source of income on his 1998 annual statement of economic interests, filed on April 6, 1999, in violation of Section 87207, subdivision (b)(2).
- COUNT 6: Respondent Garofalo failed to disclose *The Local News* as a source of income on his 1999 annual statement of economic interests, filed on March 30, 2000, in violation of Section 87207, subdivision (b)(2).
- COUNT 7: Respondent Garofalo failed to disclose *The Local News* as a source of income on his 2000 annual statement of economic interests, filed on March 30, 2001, in violation of Section 87207, subdivision (b)(2).
- COUNT 8: Respondent Garofalo failed to disclose *Huntington Beach Today* as a source of income on his assuming office statement of economic interests, filed on January 4, 1995, in violation of Section 87207, subdivision (b)(2).
- COUNT 9: Respondent Garofalo failed to disclose *Huntington Beach Today* as a source of income on his 1998 annual statement of economic interests, filed on April 6, 1999, in violation of Section 87207, subdivision (b)(2).
- COUNT 10: Respondent Garofalo failed to disclose the Waterfront Hilton as a source of income on his 1998 annual statement of economic interests, filed on April 6, 1999, in violation of Section 87207, subdivision (b)(2).
- COUNT 11: Respondent Garofalo failed to disclose the Waterfront Hilton as a source of income on his 1999 annual statement of economic interests, filed on March 30, 2000, in violation of Section 87207, subdivision (b)(2).
- COUNT 12: Respondent Garofalo failed to disclose Anaheim Patio & Fireside as a source of income on his 1999 annual statement of economic interests, filed on March 30, 2000, in violation of Section 87207, subdivision (b)(2).
- COUNT 13: Respondent Garofalo failed to disclose PCS Associates as a source of income on his 1999 annual statement of economic interests, filed on March 30, 2000, in violation of Section 87207, subdivision (b)(2).
- COUNT 14: Respondent Garofalo failed to disclose the Huntington Beach Holiday Inn as a source of income in the form of a gift on his 1997 annual statement of economic interests, filed on March 31, 1998, in violation of Section 87207, subdivision (a)(1).
- COUNT 15: Respondent Garofalo failed to disclose the Huntington Beach Holiday Inn as a source of income in the form of a gift on his 1998 annual statement of economic

interests, filed on April 6, 1999, in violation of Section 87207, subdivision (a)(1).

COUNT 16: On or about and between January 1, 1997 and December 31, 1997, Respondent Garofalo accepted a gift from the Huntington Beach Holiday Inn in excess of the gift limit of \$290, in violation of Section 89503, subdivision (a).

COUNT 17: On or about and between January 1, 1998 and December 31, 1998, Respondent Garofalo accepted a gift from the Huntington Beach Holiday Inn in excess of the gift limit of \$290, in violation of Section 89503, subdivision (a).

COUNT 18: Respondent Garofalo failed to disclose income from the September 7, 1997 sale of property on Fairway Lane in Huntington Beach on his 1997 annual statement of economic interests, filed on March 31, 1998, in violation of Section 87207, subdivision (a)(1).

COUNT 19: Respondent Garofalo failed to disclose Developer Chris Gibbs as a source of income in the form of a gift on his 1998 annual statement of economic interests, filed on April 6, 1999, in violation of Section 87207, subdivision (a)(1).

COUNT 20: On or about and between January 1, 1998 and December 31, 1998, Respondent Garofalo accepted a gift from Developer Chris Gibbs in excess of the gift limit of \$290, in violation of Section 89503, subdivision (a).

COUNT 21: Respondents Garofalo and Respondent Committee to Elect Dave Garofalo failed to maintain the detailed accounts, records, bills and receipts that are necessary to comply with the campaign reporting provisions of the Act, for the reporting periods of January 1, 1998 through June 30, 1998 and July 1, 1998 through September 30, 1998, in violation of Section 84104.

COUNT 22: Respondent Garofalo and Respondent Committee to Elect Dave Garofalo failed to disclose and itemize an expenditure of \$20,000 on their semi-annual campaign statement for the period ending June 30, 1998, in violation of Section 84211, subdivision (k).

COUNT 23: Respondent Garofalo and Respondent Committee to Elect Dave Garofalo failed to disclose a miscellaneous receipt of \$20,000 on their semi-annual campaign statement for the reporting period ending June 30, 1998, in violation of Section 84211, subdivision (l).

COUNT 24: Respondent Garofalo and Respondent Committee to Elect Dave Garofalo failed to disclose and itemize subvendor information on their semi-annual campaign statement for the period ending June 30, 1998, and their pre-election campaign statement for the period ending September 30, 1998 in violation of Section 84211, subdivision (k)(6).

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (c), is to ensure that the assets and income of public officials, which may be materially affected by their official actions, be disclosed, so that conflicts of interest may be avoided.

Disclosure of Income

In furtherance of this purpose, Section 87200 specifies that the disclosure requirements of Section 87200, *et seq.*, are applicable to certain officeholders. Among those officeholders are mayors and members of city councils. Section 87202, subdivision (a) requires that “every person who is elected to an office specified in Section 87200, shall, within 30 days after assuming the office, file a statement disclosing his or her investments and his or her interests in real property held on the date of assuming office, and income received during the 12 months before assuming office.” Section 87203 requires that all officeholders specified in Section 87200 shall file annual statements of economic interests, disclosing all of their reportable investments, business positions, interests in real property and income since the last statement of economic interests was filed pursuant to either Section 87203 or Section 87202. Regulation 18723, subdivision (b)(2) provides that mayors and members of city councils are required to file an annual SEI by April 1st of each year. However, under Regulation 18116, if April 1st falls on a Saturday, Sunday, or official holiday, then the deadline for filing is extended to the next regular business day.

Section 87207, subdivision (a) states that when income is required to be reported on a statement of economic interests, the statement shall contain:

- (1) The name and address of each source of income aggregating two hundred fifty (\$250) or more in value, or twenty-five dollars (\$25) or more in value if the income was a gift, and a general description of the business activity, if any, of each source.

Income is defined as:

Payment received, including but not limited to any salary, wage, advance, dividend, interest, rent, proceeds from any sale, gift . . . forgiveness or payment of indebtedness received by the filer, reimbursement for expenses, per diem, Income also includes an outstanding loan. Income of an individual also includes a pro rata share

of any income of any business entity or trust in which

the individual or spouse owns, directly, indirectly or beneficially, a 10-percent interest or greater. (Section 82030.)

Section 87207, subdivision (b) states:

When the filer's pro rata share of income to a business entity, including income to a sole proprietorship, is required to be reported under this article, the statement shall contain:

* * *

(2) The name of every person from whom the business entity received payments if the filer's pro rata share of gross receipts from that person was equal to or greater than ten thousand dollars (\$10,000) during a calendar year.

Section 82028 defines a gift "as any payment that confers a personal benefit on the recipient, to the extent that consideration of equal or greater value is not received and includes a rebate or discount in the price of anything of value unless the rebate or discount is made in the regular course of business to members of the public without regard to official status."

Gift Limit

Section 89503, subdivision (a) prohibits an elected officer of a local government agency, or other individual specified in Section 87200, from accepting gifts from any single source totaling more than \$250 in a calendar year. The gift limit in Section 89503 increases biennially to reflect changes in the Consumer Price Index. (Section 89503, subd. (f) and Regulation 18940.2.) The annual gift limit in 1997 and 1998 was \$290. Huntington Beach City Council members are elected officers of a local government agency, and as members of a city council are specified in Section 87200.

Campaign Violations

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters will be better informed, and so that improper practices will be inhibited. The Act therefore establishes a campaign reporting system designed to accomplish this purpose of disclosure.

To accomplish this purpose of disclosure, Section 84200, *et seq.*, requires a committee to file semi-annual and pre-election campaign statements. Section 84211 requires the disclosure and itemization of certain information on these campaign statements.

Section 82013, subdivision (a) defines a “committee” as any person or combination of persons who directly or indirectly receive contributions totaling one thousand dollars (\$1,000) or more in a calendar year.

Contents of Campaign Statements

Pursuant to Section 84211, subdivision (j), when the cumulative amount of expenditures made by a committee to any person,² during a reporting period equals or exceeds one hundred dollars (\$100), the committee must report in its campaign statement for the reporting period certain specified information. The committee is required to report: (1) the name of the person to whom the expenditure was made, (2) the person’s street address, (3) the amount of each expenditure, and (4) a brief description of the consideration received for each expenditure. Additionally, Section 84211, subdivision (j)(6) requires that campaign statements shall include this information for each person who provided consideration to the committee, if different than the payee.

Section 84303 provides that agents or independent contractors, including but not limited to an advertising agency, shall not make expenditures on behalf of a committee, unless the committee reports those expenditures as if the expenditures were directly made, by the committee.

Section 84211, subdivision (l) requires controlled committees to disclose the amount and source of any miscellaneous receipt.

Recordkeeping

To ensure accurate campaign reporting, Section 84104 imposes a mandatory duty on each candidate, treasurer, and elected officer to maintain detailed accounts, records, bills and receipts that are necessary to prepare campaign statements and to comply with the campaign reporting provisions of the Act. Pursuant to Regulation 18401, subdivision (a)(1), this duty includes maintenance of detailed information and original source documentation for the committee's activities, including all bank statements, check registers, canceled checks, bills, receipts, invoices, statements or other documents reflecting obligations incurred by the committee.

SUMMARY OF THE FACTS

Respondent David P. Garofalo was elected to the Huntington Beach City Council in December 1994. Respondent was re-elected to the City Council in 1998. From January 2000 through December 2000, Respondent also served as the mayor of Huntington Beach. As a member of the City Council, Respondent Garofalo was required to file an assuming office SEI within thirty days of assuming office, and annual SEIs no later than April 1st, for each year that he served as a member of the City Council,

² Section 84207 provides that the term “person” includes “an individual, proprietorship, firm, partnership, joint venture, syndicate, business trust, company, corporation, limited liability company, association, committee, and any other organization or group of persons acting in concert.”

disclosing all of his reportable interests in real property, investments and sources of income to him.

Sources of Income/Business Interests

Respondent Garofalo assumed office as a member of the Huntington Beach City Council on December 5, 1994. Prior to December 5, 1994, Respondent was and currently is, the sole owner of David Garofalo & Associates (hereinafter “DGA”), which is a publishing business and a registered Chapter S Corporation. Publications of DGA included *The Local News*, *Huntington Beach Today*, *Huntington Beach Visitor’s Guide* and *Huntington Beach Chamber Directory*. (Hereinafter collectively referred to as the “Publications.”) *The Local News*, *Huntington Beach Visitor’s Guide* and *Huntington Beach Chamber Directory* contained advertisements from businesses primarily located in Huntington Beach. *Huntington Beach Today* was a political publication published by DGA in 1994 and 1998.

Real Property

When Respondent Garofalo assumed office, he owned real property located at 16251 Fairway Lane, in Huntington Beach, which was his primary residence. On September 7, 1997, Respondent sold his residence at 16251 Fairway Lane.

Gifts

Respondent Garofalo stayed at the Holiday Inn in Huntington Beach from December 1997 through May 1998. Respondent Garofalo occupied three rooms. The Holiday Inn charged Respondent Garofalo \$50 per night for the three rooms. The fair market value of the rooms was \$267 per night.

During the summer of 1998 Respondent Garofalo purchased an ocean-view home on Poppy Hill Circle in Huntington Beach’s gated St. Augustine neighborhood. The home was part of a new housing development. Chris Gibbs was the developer of the housing development. Respondent Garofalo was given the right to purchase this home, even-though he was not on the waiting list that had been established for persons to have an opportunity to purchase one of the homes. Three days after purchasing the home, Respondent Garofalo quit-claimed the house to gas-station millionaire George Pearson. Mr. Pearson valued Respondent Garofalo’s ability to purchase the home, by surpassing the waiting list, at \$20,000.

Campaign Reporting Violations

Respondent Garofalo was re-elected to the Huntington Beach City Council in the 1998 General Election. The Franchise Tax Board conducted an audit of Respondent Garofalo and Respondent Committee. During the audit period, Respondent Committee received contributions totaling \$78,134 and made expenditures totaling \$88,411.

Counts 1 - 7: Failure to Disclose *The Local News* as a Source of Income

Since assuming office in 1994, Respondent Garofalo owned DGA. During 1994 through 2000, *The Local News* was a source of income in excess of \$10,000 per year, to DGA, within the meaning of Section 82030, subdivision (a). Therefore, pursuant to Section 87207, subdivision (b)(2), Respondent Garofalo was required to disclose *The Local News* as a source of income on his assuming office statement of economic interest, as well as his 1995, 1996, 1997, 1998, 1999, and 2000 annual statements of economic interests. Respondent Garofalo failed to do so.

By failing to disclose *The Local News* as a source of income on his assuming office, 1995, 1996, 1997, 1998, 1999, and 2000 annual statements of economic interests, Respondent Garofalo committed seven violations of Section 87207, subdivision (b)(2).

Counts 8 - 9: Failure to Disclose *Huntington Beach Today* as a Source of Income

Since assuming office in 1994, Respondent Garofalo owned DGA. During 1994 and 1998, *Huntington Beach Today*, was a source of income in excess of \$10,000 to DGA within the meaning of Section 82030, subdivision (a). As Respondent Garofalo's business received more than \$10,000 during 1994 and 1998 from *Huntington Beach Today*, pursuant to Section 87207, subdivision (b)(2), Respondent Garofalo was required to disclose *Huntington Beach Today* as a source of income on his assuming office statement of economic interests, as well as his 1998 annual statements of economic interests. Respondent failed to do so.

By failing to disclose *Huntington Beach Today* as a source of income on his assuming office statement of economic interests and his 1998 annual statement of economic interests, Respondent Garofalo committed two violations of Section 87207, subdivision (b)(2).

Counts 10 -11: Failure to Disclose Waterfront Hilton as a Source of Income

Since assuming office in 1994, Respondent Garofalo owned DGA. From 1993 to 2000, DGA published *The Huntington Beach Visitor's Guide*.

During 1998 the Waterfront Hilton paid DGA \$10,998 to advertise in the *Visitor's Guide*. As such, during 1998, the Waterfront Hilton was a source of income, within the meaning of Section 82030, subdivision (a), to a business in which Respondent Garofalo owned more than a ten-percent interest.

During 1999, the Waterfront Hilton paid DGA \$13,866 to advertise in the *Visitor's Guide*. As such, during 1999, the Waterfront Hilton was a source of income, within the meaning of Section 82030, subdivision (a), to a business in which Respondent Garofalo owned more than a ten-percent interest.

As Respondent Garofalo's business received more than \$10,000 during 1998 and 1999 from the Waterfront Hilton, pursuant to Section 87202, subdivision (b)(2), Respondent

Garofalo was required to disclose the Waterfront Hilton on his 1998 and 1999 annual statements of economic interests. Respondent Garofalo failed to do so.

By failing to disclose the Waterfront Hilton as a source of income on his 1998 and 1999 annual statements of economic interests, Respondent Garofalo committed two violations of Section 87207, subdivision (b)(2).

Count 12: Failure to Disclose Anaheim Patio & Fireside

In 1999, Respondent Garofalo owned DGA. On May 2, 1999, DGA received income of \$10,000, from Anaheim Patio & Fireside for advertising in DGA's Publications. As such, during 1999, Anaheim Patio & Fireside was a source of income, within the meaning of Section 82030, subdivision (a), to a business in which Respondent Garofalo owned more than a 10-percent interest. Because Respondent Garofalo's business received \$10,000 or more from Anaheim Patio & Fireside, pursuant to Section 87202, subdivision (b)(2), Respondent Garofalo was required to disclose Anaheim Patio & Fireside as a source of income on his 1999 annual statement of economic interests. Respondent Garofalo failed to do so.

By failing to disclose Anaheim Patio & Fireside as a source of income on his 1999 annual statement of economic interests, Respondent Garofalo committed a violation of Section 87207, subdivision (b)(2).

Count 13: Failure to Disclose PCS Associates

In 1999, Respondent Garofalo owned DGA. On April 20, 1999, DGA received income of \$10,000, from PCS Associates for advertising in DGA's Publications. As such, during 1999, PCS Associates was a source of income, within the meaning of Section 82030, subdivision (a), to a business in which Respondent Garofalo owned more than a 10-percent interest. As Respondent Garofalo's business received \$10,000 or more from PCS Associates, pursuant to Section 87202, subdivision (b)(2), Respondent Garofalo was required to disclose PCS Associates as a source of income on his 1999 annual statement of economic interests. Respondent Garofalo failed to do so.

By failing to disclose PCS Associates as a source of income on his 1999 annual statement of economic interests, Respondent Garofalo committed a violation of Section 87207, subdivision (b)(2).

Counts 14 – 15: Failure to Disclose Gift from Holiday Inn

From December 1997 through May 1998, Respondent Garofalo and his mother resided at the Huntington Beach Holiday Inn. Respondent Garofalo occupied three rooms. The Holiday Inn charged Respondent Garofalo \$50 per night for the three rooms. A conservative estimate of the fair market value of the rooms was \$267 per night. Therefore, Respondent Garofalo received a gift from the Holiday Inn worth \$6,510 during 1997, and \$32,550 during 1998. Respondent Garofalo should have disclosed the receipt of the gift of discounted lodging from the Huntington Beach Holiday Inn on his

1997 and 1998 annual statement of economic interests. Respondent Garofalo failed to do so.

By failing to disclose the Holiday Inn as a source of income in the form of a gift of discounted lodging on his 1997 and 1998 annual statements of economic interests, Respondent Garofalo committed two violations of Section 87207, subdivision (a)(1).

Counts 16 – 17: Accepting Gifts in Excess of Gift Limit

During 1997 and 1998, and while serving as a member of the Huntington Beach City Council, Respondent Garofalo accepted gifts of discounted lodging from the Huntington Beach Holiday Inn. During 1997, the gift was worth \$6,510 and during 1998, the gift was worth \$32,550. The gift limit for 1997 and 1998 was \$290.

By accepting the gifts of discounted lodging from the Holiday Inn in excess of the \$290 gift limit during 1997 and 1998, Respondent Garofalo committed two violations of Section 89503, subdivision (a).

Count 18: Failure to Disclose Income from Sale of Fairway Residence

When Respondent Garofalo assumed office, he owned real property located at 16251 Fairway Lane, in Huntington Beach, which was his primary residence. On September 7, 1997, Respondent Garofalo sold his residence at 16251 Fairway Lane, and received income from the sale in excess of \$250. Respondent Garofalo was required to report any income from the sale of the house in excess of \$250 on his 1997 annual statement of economic interests. Respondent Garofalo failed to do so.

By failing to disclose income from the sale of the Fairway Residence on his 1997 annual statement of economic interests, Respondent Garofalo committed one violation of Section 87207, subdivision (a)(1).

Count 19: Failure to Disclose Gift Related to Purchase of Poppy Hill Circle Residence

During the Summer of 1998, Respondent Garofalo purchased a lavish ocean-view home on Poppy Hill Circle in Huntington Beach's gated St. Augustine neighborhood. The home was part of a new housing development. Chris Gibbs was the developer of the housing development. Respondent Garofalo was given the right to purchase this home even though he was not on the waiting list that been established for persons to have an opportunity to purchase one of the homes. Three days after purchasing the home, Respondent Garofalo quit-claimed the house to gas-station millionaire George Pearson. Mr. Pearson valued Respondent Garofalo's ability to purchase the home by surpassing the waiting list, at \$20,000. Therefore, Respondent Garofalo received a gift from Developer Chris Gibbs worth more than \$25 during 1998. Respondent Garofalo should have disclosed the receipt of the right to buy property from Developer Chris Gibbs in the St. Augustine neighborhood ahead of the previously existing

waiting list on his 1998 annual statement of economic interests. Respondent Garofalo failed to do so.

By failing to disclose the gift of the right to buy property in the St. Augustine neighborhood ahead of the previously existing waiting list on his 1998 annual statement of economic interests, Respondent Garofalo committed a violation of Section 87207, subdivision (a)(1).

Count 20: Accepting Gift from Chris Gibbs in Excess of Gift Limit

During 1998, Respondent Garofalo accepted a gift from developer Chris Gibbs, specifically, the right to buy property in the St. Augustine neighborhood ahead of the previously existing waiting list. The gift was worth more than \$290. The gift limit for 1998 was \$290.

By accepting the opportunity to purchase a home in the St. Augustine neighborhood from Developer Chris Gibbs ahead of the previously existing waiting list, Respondent Garofalo accepted a gift worth more than \$290 during 1998, and thereby committed a violation of Section 89503, subdivision (a).

Count 21: Failure to Maintain Adequate Campaign Records

Respondent Garofalo and Respondent Committee did not maintain copies of contributor checks for eight contributions totaling \$2,350 for the reporting period ending June 30, 1998. In addition, Respondent Garofalo and Respondent Committee did not maintain a copy of a \$7,500 reimbursement check received from Coatings Resource Corporation on July 8, 1998.

By failing to maintain copies of these checks, Respondent Garofalo and Respondent Committee failed to maintain necessary campaign records, in violation of Section 84104.

Counts 22 - 23: Failure to Report Expenditure and Miscellaneous Increase to Cash

On March 19, 1998, Respondent Committee disbursed \$20,000 to Respondent Garofalo. Pursuant to Section 84211, subdivision (k), Respondents should have disclosed this expenditure on a semi-annual campaign statement for the period ending June 30, 1998.

On May 11, 1998, Coatings Resource Corporation reimbursed these funds to the Committee. Pursuant to Section 84211, subdivision (l), Respondents should have disclosed the amount and source of the reimbursement as a miscellaneous receipt.

Respondent Garofalo explained that one of his campaign chairmen volunteered to take responsibility for placing large orders to keep costs down. However, because of health problems, the volunteer could not accomplish this goal, and the funds were re-deposited into the campaign bank account.

By failing to disclose the \$20,000 expenditure to Respondent Garofalo on the committee's

campaign statement for the period ending June 30, 1998, Respondent Garofalo and Respondent Committee committed one violation of Section 84211, subdivision (k).

By failing to disclose the \$20,000 reimbursement from Coatings Resource Corporation as a miscellaneous receipt on the campaign statement for the period ending June 30, 1998, Respondent Garofalo and Respondent Committee committed one violation of Section 84211, subdivision (l).

Count 24: Failure to Disclose Subvendor Information

During the reporting period October 18, 1998 through December 31, 1998, Respondent Garofalo and Respondent Committee did not disclose the United States Post Office as a subvendor for reported expenditures to Hostler's Mailers Service totaling \$18,170.

By failing to disclose required subvendor information, Respondent Garofalo and Respondent Committee committed one violation of Section 84211, subdivision (k)(6), and 84303.

CONCLUSION

In addition to failing to disclose sources of income on his assuming office and annual statements of economic interests, Respondent Garofalo made, participated in the making and used his official position as a mayor and a city council member to influence governmental decisions in which Respondent Garofalo was aware that he had a financial interest. By doing so, Respondent Garofalo committed violations of Section 87100. Respondent Garofalo was prosecuted by the Orange County District Attorney's Office for these violations.

In the criminal matter brought by the Orange County District Attorney's Office, on or about January 10, 2002, Respondent Garofalo pleaded guilty to fifteen misdemeanor counts of Government Code section 87100, and one felony count of Government Code section 1090, which prohibits city officers or employees from being "financially interested in any contract made by them in their official capacity, or by any body or board of which they are members . . . [or from being] purchasers at any sale or vendors at any purchase made by them in their official capacity." Respondent Garofalo agreed to a sentence of three years of probation, to resign his city council position, to pay a fine of \$1,000, and to perform 200 hours of community service. As part of a global settlement, Respondent Garofalo also agreed, subject to the approval of the Commission, to admit twenty-four violations of the Act for SEI disclosure, gift limit, and campaign reporting violations, and to pay an administrative penalty of \$47,000.

This matter consists of twenty-four counts, which carry a maximum possible administrative penalty of \$48,000. In light of Respondent Garofalo's criminal conviction for the conflict of interest violations, the agreed upon administrative penalty of \$47,000, for the violations described in this Exhibit, is appropriate.